

Function 700: Veterans Benefits and Services

Function 700 includes the programs of the Department of Veterans Affairs (VA), such as veterans compensation and pensions, education and rehabilitation benefits, medical care, and housing programs.

Appropriated Programs

The House Republican budget provides \$26.8 billion for Function 700 appropriated programs for 2003, \$1.1 billion more than the President's budget.²⁴ Over five years (2003-2007), the House Republican budget provides \$138.8 billion, \$6.0 billion more than the President's budget.

The President's budget recognizes the need for additional funding for veterans medical care, a need echoed by of the House Veterans Affairs Committee. In their Views and Estimates to the Budget Committee, the Members of the Committee said:

“substantially increased funding for veterans’ healthcare will be necessary in order to fulfill Congressional mandates. New challenges and new veterans lead to the inescapable conclusion that we must provide the funding needed now by veterans who are filling VA’s outpatient clinics in unprecedented numbers.”

Unfortunately, to respond to this need the Administration's budget includes \$316 million in “management efficiencies” to offset the overall cost of health care, in effect compelling the VA to pay for its own increase. In addition, the Administration imposes a deductible of \$1,500 for Priority 7 veterans, requiring veterans to pay for a greater portion of their benefits out of their own pockets. OMB estimates this change would result in \$281 million in increased medical collections in 2003, and \$1.8 billion more over the five-year period. The House Republican budget flatly rejected this proposal, and instead provides the needed funding through appropriations.

Mandatory Programs

The House Republican budget provides \$30.1 billion for mandatory veterans programs in 2003, and \$167.3 billion over five years. The House Republican budget does not assume, as the President's budget does, the continuation after 2003 of the practice of verifying income for means-tested veterans benefits with the IRS. The Administration estimates that the extension of this practice reduces mandatory spending by \$6 million each year, beginning in 2004. Therefore, the House

²⁴The President's budget also displays \$891 million in this function to account for the full cost of accruing all pensions, retired pay, and retiree health benefits for employees. This amount reflects only an accounting change and does not represent a programmatic increase. See *Appropriated Programs and Creative Accounting* for further discussion.

Republican budget reflects \$24 million more for mandatory programs over five years than the President's budget.

Concurrent Receipt

Certain military personnel qualify for both military retired pay and veterans disability compensation. Current law requires that military pensions be reduced, dollar for dollar, by the amount of VA disability compensation received. Proposals to end this reduction, or to allow concurrent receipt of both benefits, are very costly although they have garnered bipartisan support in Congress.

The House Republican budget includes a proposal to address the concurrent receipt issue. The funding for this measure is shown in Function 050 (National Defense), and is also discussed in that section of this document.

- ***“Special Compensation” in Current Law*** — Current law provides a *de facto* concurrent receipt for severely disabled military retirees, known as “special compensation.” To receive special compensation, military retirees must receive a disability rating of 60 percent or higher from the VA within four years of retiring from military service. The amount of the special compensation is linked to the VA disability rating. The table below shows the amounts of special compensation in 2002 for each VA disability rating, and also shows the increases scheduled to occur under current law.

Monthly Payments Authorized Under Special Compensation					
Military Retirees with VA Disability Rating of	60%	70%	80%	90%	100%
in 2002	\$50	\$100	\$100	\$200	\$300
increased on January 1, 2003 to			\$125	\$225	\$325
increased on October 1, 2004 to		\$125	\$150	\$250	\$350

The House Republican budget permanently lifts the four-year limitation on the disability rating and increases special payments by two and a half times current law amounts in 2003. In 2004, the House Republican budget ends special payments and begins to phase in concurrent receipt for veterans with 60 percent disability and higher. In 2004, the budget allows 20 percent concurrent receipt of benefits for veterans who are 60 percent or more disabled. In 2005, the percentage would rise to 40 percent; in 2006, 75 percent; and in 2007, full concurrent receipt would be allowed for veterans with a disability rating of 60 percent or higher. The House Republican budget provides \$516 million for concurrent receipt in 2003, and \$5.8 billion over five years.

The House Republican budget is consistent with preliminary CBO scoring of the particular policy described above, but is well short of the \$18.3 billion CBO believes is necessary over 2003 to 2007 to allow all military retirees with any VA disability rating to receive full concurrent receipt beginning in 2003. The House Republican budget prohibits the Armed Services Committee from exceeding the first-year allocation of \$516 million or the five-year total of \$5.8 billion in the House Republican budget, but the Committee may adopt a policy different than the one assumed in the resolution.